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46TH CONGRESS,
2d Session.

SENATE.

{ REPORT
No. 186.

IN THE SENATE OF THE UNITED STATES.

FEBRUARY 2, 1880.—Ordered to be printed.

Mr. PENDLETON, from the Committee on Indian Affairs, submitted the following

REPORT:

[To accompany bill S. 1195.]

The necessity for the passage of this bill is to be found in the fact that some of the five per cent. bonds of the United States, which were held by the Secretary of the Interior in trust for the Indian tribes, have been called in and paid by the Secretary of the Treasury, and under the law no authority exists for the investment of the money so realized.

The law of January 9, 1837, volume 5, page 185, Statutes at Large, Revised Statutes, 2096, provides:

The Secretary of the Interior shall invest in a manner which shall be in his judgment most safe, and beneficial for the fund, all moneys that may be received under treaties containing stipulations for the payment to the Indians, annually, of interest on the proceeds of the lands ceded by them; and he shall make no investment of such moneys, or of any portion, at a lower rate of interest than five per centum per annum.

The law of September 11, 1841, volume 5, page 465, Statutes at Large Revised Statutes, section 3659, provides that:

All funds held in trust by the United States, and the annual interest accruing thereon, when not otherwise required by treaty, shall be invested in stocks of the United States, bearing a rate of interest not less than five per centum per annum.

Under these laws large investments of Indian trust-funds were made in the bonds of the United States. On the 25th day of April, 1879, the Secretary of the Interior held, as trustee for several Indian tribes, United States 5-20 six per cent. bonds, amounting to \$399,950, which were included in a call of bonds for redemption then recently made by the Secretary of the Treasury, interest ceasing April 24, 1879; also United States 10-40 five per cent. bonds, amounting to \$86,400, which were included in a call for redemption, interest ceasing July 18, 1879.

The only five per cent. bonds then outstanding were the funded loan maturing in 1881. They commanded a high premium. The investment in them would cause a loss to the principal of the trust fund. After their maturity there would be no bonds drawing a greater interest than four and one-half per cent. per annum. The Secretary of the Interior invested the funds arising from the payment of the called-in bonds in 4 per cent. bonds of 1907, as a mere temporary arrangement to save what interest he could until the authority proposed by this bill shall be conferred upon him.

The Secretary of the Interior on January 1, 1880, held bonds of the funded loan maturing in 1881 amounting to \$2,188,000, which it is expected will soon be called in and paid. He also held bonds of the United States, maturing at a later day, to the amount of about \$300,000.

SENAL 1893

INDIAN TRUST-FUNDS.

The bill reported by the committee provides that the moneys arising from the three sources, to wit, (1) the redemption of these United States bonds, (2) the sales of lands ceded by the Indians, (3) the sales of the four per cent. bonds of the United States recently bought as a temporary investment, shall be deposited in the Treasury and shall draw interest at the rate required by law. The alternative is the investment in stocks and bonds other than those of the United States.

This plan of keeping the trust funds is not new. Under various treaties and resolutions, applicable only to specific cases, funds have been deposited in the Treasury at five per cent. interest in lieu of investment, and are now held there to the amount of \$7,741,344.01, paying an aggregate of interest annually to the amount of \$387,067.17.

There is no diminution of principal by the payment of premium; there is no loss of interest; there is no such trouble as is caused by changes of investment.

The accompanying papers exhibit the necessity for a change in the law as proposed: The opinion of the present Secretary of the Interior, and of his predecessor; the wishes of the Indians who are interested; and the exact condition of all the Indian funds held by the Secretary of the Interior January 1, 1880.

DEPARTMENT OF THE INTERIOR,
March 17, 1876.

SIR: I have the honor to inclose herewith a draft or a bill authorizing me, as Secretary of the Interior, and trustee of various Indian tribes, to deposit certain funds in the Treasury of the United States, in lieu of investment.

This department now holds coin checks, amounting to the sum of four hundred and twenty-five thousand six hundred dollars (\$425,600), received on account of the redemption of United States five-twenty bonds, belonging to the Indian trust fund.

I am obliged under the present laws to invest in United States bonds, and as the premium on every class of bonds is from four to eight per cent. higher than the premium on coin, I cannot reinvest said amount without diminishing the principal in my hands as trustee, and in view of the high rate of premium which government bonds now command, and which they will command in the future, I am of the opinion that it will be for the interest of the Indians that said amount and all other sums received by me hereafter as Secretary of the Interior and trustee of various Indian tribes, on account of redemption of trust-fund bonds, be deposited in the United States Treasury in lieu of investment, and I have the honor to request the early and favorable action of Congress upon this subject.

Very respectfully,

Z. CHANDLER,
Secretary.

Hon. WM. B. ALLISON,
Chairman Committee on Indian Affairs, U. S. Senate.

DEPARTMENT OF THE INTERIOR,
February 14, 1878.

SIR: I have the honor to acknowledge the receipt of your letter of the 13th instant, inclosing Senate bill No. 720, and asking information as to the amount of funds now held by me as Secretary of the Interior and trustee of various Indian tribes, on account of redemption of United States bonds belonging to the Indian trust fund.

In reply I have to say that there are no funds held by me at the present time as secretary and trustee, on account of redemption of United States bonds belonging to the Indian trust fund, but as Secretary of the Interior, I hold in trust, for various Indian tribes, a large amount of United States five-twenty bonds, which may be called by the Secretary of the Treasury for redemption at any time.

I inclose herewith copy of a letter from Hon. Z. Chandler, late Secretary of the Interior, to Hon. Wm. B. Allison, chairman of Committee on Indian Affairs, United States Senate, dated March 17, 1876, transmitting a draft of the bill inclosed in your letter, and showing that at the time said draft of the bill was transmitted, as Secretary of the Interior and trustee of various Indian tribes, he held coin checks amounting to

INDIAN TRUST-FUNDS.

8

four hundred and twenty-five thousand six hundred dollars (\$425,600), on account of redemption of United States bonds belonging to the Indian trust fund, and that under existing laws he was obliged to reinvest said funds in United States bonds, and that as the premium on bonds at that time was from four to eight per cent higher than the premium on coin, he could not reinvest said funds without diminishing the amount of the principal represented by said coin checks.

Said bill not having been passed at the last session of Congress, Secretary Chandler was obliged to invest said funds in United States bonds under the disadvantages above mentioned.

As Secretary of the Interior and trustee of various Indian tribes, I have been obliged to invest funds received on account of the redemption of United States bonds under the same disadvantages, and I would therefore respectfully request the favorable action of Congress upon said bill.

Very respectfully,

C. SCHURZ,
Secretary.

Hon. J. J. INGALLS,
United States Senate.

TREASURY DEPARTMENT, April 21, 1879.

SIR: I have the honor to call your attention to the opportunity now offered to your department to convert any 5 per cent 10-40 bonds held in trust for Indians, or others, into 4 per cent. bonds. The power to make this conversion for trust funds held by the government, under the terms of the circular of April 16, was reserved in the recent sale of bonds, but it should be exercised promptly.

Very respectfully,

JOHN SHERMAN,
Secretary.

Hon. CARL SCHURZ,
Secretary of the Interior.

DEPARTMENT OF THE INTERIOR,
Washington, April 22, 1879.

SIR: I have the honor to acknowledge the receipt of your letter of the 21st instant, calling my attention to the opportunity now offered to this department to convert 5 per cent. 10-40 bonds held in trust by me as Secretary of the Interior, for various Indian tribes, into 4 per cent. bonds under the terms of the circular of your department of April 16.

In reply I have to say that the second section of the act of Congress approved September 1, 1841 (5 Stats. p. 465; R. S. section 3659), directs that "all funds held in trust by the United States and the annual interest accruing thereon, when not otherwise required by treaty, shall be invested in stocks of the United States, bearing a rate of interest not less than five per centum per annum." As I am directed by this act to invest all trust funds in United States bonds drawing a rate of interest of not less than five per centum per annum, I am unable to accept the terms offered for the conversion of said bonds.

Very respectfully,

C. SCHURZ,
Secretary.

Hon. JOHN SHERMAN,
Secretary of the Treasury.

TREASURY DEPARTMENT, April 23, 1879.

SIR: I have the honor to acknowledge the receipt of your letter of the 22d instant, in which you state that you are unable to accept the terms offered for the conversion of the 10-40 bonds held by you in trust for Indian tribes.

I will thank you to furnish me a statement of the amount and numbers of the various 5-20 and 10-40 bonds thus held by you, so that a sufficient amount of 4 per cent. to cover them may be reserved from sale, with a view to further legislation by Congress in respect to the rate of interest.

Very respectfully,

JOHN SHERMAN,
Secretary.

Hon. CARL SCHURZ,
Secretary of the Interior.